

# Can we obligate staff to use direct deposit?

**Q: “For employees who are paid hourly in the state of Massachusetts, can we ask them to enroll in direct deposit with a bank to cut down on the company expenses, or is that illegal?” - Diane, Massachusetts**

**A:** Federal law permits an employer to require direct deposit of salary by electronic means if employees are allowed to choose the institution that will receive the direct deposit. Alternatively, an employer may give employees the choice of having their salary deposited at a particular institution (designated by the employer) or receiving their salary by another means, such as by check or cash.

However, employers are often surprised by the number of employees who simply are unable to open a bank account, and therefore receive their wages through direct deposit, due to a poor credit history or other factors. Perhaps the number of “unbanked” individuals explains why many states have passed laws that prohibit employers from requiring employees to accept their wages through direct deposit of funds. Massachusetts, however, permits an employer to require employees to accept wages through direct deposit. [\*Mass. Gen. Laws, Ch. 167B, §7; Massachusetts Division of Banks, Op. Nos. 04-041 \(June 30, 2004\) and 00-148 \(Oct. 27, 2000\).\*](#)